

The suspension of specie payments in Chile was decreed in 1865, but was brought to an end on August 31, 1866. The specie basis was again abandoned and forced legal tender decreed by a law of July 25, 1878, which fixed the maximum circulation at 15,000,000 piasters (\$13,600,000), divided among eleven banks which subscribed to a new loan. The government resorted to legal-tender paper, issued directly by the Treasury, during the war with Peru, and the amount had risen, on January 5, 1881, to 40,000,000 piasters. The banks, at the outbreak of the revolution against President Balmaceda in 1891, had a circulation of about 15,000,000 piasters, upon a capital of 30,000,000 piasters and a reserve of 6,000,000. The circulation increased after the fall of Balmaceda to 20,000,000 piasters, and the government paper money increased to 42,000,000 piasters. The Junta established at Iquique during the civil war proclaimed liberty of note issues, and the Bank of Tarapaca, the railway companies, the municipality of Iquique, the principal corporations and business houses, and even retail tradesmen, issued their own notes. The notes were not legal tender and the public accepted those they regarded as good and rejected those they regarded as bad, but the return of civil order was followed by the redemption of the paper in nearly every case. The government made an unsuccessful effort to restore specie payments in 1892, by means of a bond issue and an adjustment of the standard to meet the depreciation of the paper money. The paper continued at a heavy discount and a new law was pushed through Congress early in 1895, ^{S^M} further reducing the standard. The "dollar" was made the monetary unit, but was reduced to one-thirteenth part of a pound sterling or about 36.49 cents in United States gold coin. Gold was made the monetary standard and was to be paid out for paper, beginning June 1, 1895. Resumption was begun under these requirements, but the exchanges proved unfavorable and gold was largely exported.

The law of 1895 put a limit of 24,000,000 dollars (\$9,000,000) upon bank-note issues until December 31, 1897, apportioned to the paid-up capital of the banks, and provided that